Fund Source Report

1272 Oil/HazRev Oil/Hazardous Release Prevention Fund Revenue

Year Authorized	Year Repealed	Active?	Mental Health?	Duplicated?	Fund Group
1986		Yes	No	No	Designated General

No Appropriations during last 10 years

Legal Authority
AS 46.08.010-.040, AS 43.55.201&.300, AS 43.40.005-.007

Source of Revenue
The Oil/ Haz Release Prev&Resp Fund is divided into two accts, a prevention acct. and a response acct. Revenue to the fund comes from four sources:

1) $0.05 per barrel surcharge on oil production, with $0.04 to the prevention acct. and $0.01 into the response acct;
2) Cost recoveries from response activities deposited into the response acct;
3) Interest earned on account balances is deposited into the prevention acct;and
4) $0.0095 per gallon refined fuel excise tax deposited into the prevevention acct.

Restrictions on Use
All of this funding is designated revenue that may be appropriated for any purpose designated by the legislature. Once they are deposited into the fund they may be spent without further appropriation.

Description and History
The Oil and Hazardous Substance Release Response Fund was created in 1986. At that time, the fund included only a mitigation account and did not receive a regular flow of money from the oil industry.

In response to the Exxon Valdez striking Bligh Reef on March 24, 1989, the legislature quickly implemented a $0.05/barrel surcharge on every barrel of oil "produced from each lease or property in the state less any oil the ownership or right to which is exempt from taxation." All receipts from the $0.05 /barrel surcharge are deposited into the general fund. The surcharge receipts can be appropriated to the fund, as can money received from private donors, money recovered from parties responsible for cleanup of oil or a hazardous substance, and fines, penalties, or damages recovered under Chapter 46. Prior to 2021 this revenue was classified as a UGF fund transfer.

The 1989 legislation also expanded the purpose of the fund to include payments for
1) establishing and maintaining the oil and hazardous substance response office, response corps and response depots;
2) preparing, reviewing and revising the state's master oil and hazardous substance discharge and prevention contingency plan and similar regional plans; and
3) restoring the environment by addressing the effects of an oil or hazardous substance release.

The surcharge is split between two accounts within the fund. Prior to April 2006, the split was:

1) $0.02/barrel into the response account and
2) $0.03/barrel into the prevention account.

In 2006, the legislature amended the surcharge amounts on oil production effective April 1, 2006 (Ch 2, TSSLA 2006) to:
1) $0.01/barrel into the response account and
2) $0.04/barrel into the prevention account.

October 2010
The Budget Clarification Project changed the Oil/ Hazardous Release Prevention & Response fund code classification from "Other" to "Designated General Funds." The use of this fund is designated in statute; however, use of these funds is at the discretion of the legislature. Funding going into the fund was still designated as UGF.

August 2013
Statutes suspended the portion of the surcharge going to the response account when the account balance exceeds $50 million. The balance exceeded $50 million until December of 2006 and the surcharge was activated effective April 2007. The balance reached $50 million in September 2012 and the surcharge was suspended effective January 2013. The balance fell below $50 million in March 2013 and the surcharge was activated effective July 2013.

AS 46.08.040(a)(1)(B)--allowing use of the prevention account to pay all costs of the response office--is broadly interpreted to include costs allocated to the office via an approved indirect cost allocation plan.

October 2016
In 2015, the legislature passed HB 158 (Chapter 37, SLA 2015), which imposed a new $0.0095 per gallon surcharge on motor fuels. Revenue from the gas tax was classified as UGF and was appropriated to the prevention account as a fund transfer (no money leaves the treasury). This treatment of tax receipts causes the receipts to be classified as UGF revenue and expenditures as well as DGF revenue and expenditures. While the treatment is complicated, it is consistent with the treatment of the five cent per barrel surcharge on oil.

October 2021
All revenue sources designated for transfer into the fund are now classified as designated general funds. Previously, revenue designated to be deposited into the fund was classified as UGF and recorded as a UGF fund transfer. Once deposited into the fund that funding was then classified as DGF and expenditures were recorded using the 1052 fund code. Classifying the revenue as DGF better reflects the intention of the legislature in enacting statutes that direct the revenue to the prevention and response funds and removes unnecessary confusion in financial reporting. UGF fund transfers should reflect transfers in and out of savings accounts, not the ongoing annual cost of a program. The ability of the legislature to appropriate the revenue for other purposes is not affected by this reclassification.